

**REPORT OF
FINANCIAL EXAMINATION
GROUP HEALTH PLAN, INC.**

**AS OF
December 31, 2003**



**STATE OF MISSOURI
DEPARTMENT OF INSURANCE
JEFFERSON CITY, MISSOURI**

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February 3, 2005
Earth City, Missouri

Honorable Kevin M. McCarty, Commissioner
Office of Insurance Regulation
Florida Department of Insurance
Chairperson, Financial Condition (E) Committee, NAIC

Honorable Jorge Gomez, Commissioner
Office of Commissioner of Insurance
State of Wisconsin
Secretary, Midwestern Zone, NAIC

Honorable Douglas M. Ommen, Acting Director
Missouri Department of Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Gentlemen:

In accordance with your financial examination warrant, a full scope association financial examination has been made of the records, affairs and financial condition of

GROUP HEALTH PLAN, INC.

also referred to as the “Company.” The Company’s administrative office is at 111 Corporate Office Drive, Suite 400, Earth City, Missouri 63045, telephone number (314) 506-1700. This examination began on August 23, 2004, and concluded February 3, 2005.

SCOPE OF EXAMINATION

Period Covered

The prior full scope association financial examination of Group Health Plan, Inc. was as of December 31, 2000, and was conducted by examiners from the state of Missouri representing the Midwestern Zone of the National Association of Insurance Commissioners (NAIC).

The current full scope association financial examination covers the period from January 1, 2001, to December 31, 2003, and was conducted by examiners from the state of Missouri representing the Midwestern Zone of the NAIC. Reserves and related actuarial items were reviewed by the firm of Milliman, Inc., Consulting Actuaries, pursuant to a contract with the Missouri Department of Insurance.

This examination also included material transactions and/or events occurring after December 31, 2003.

Procedures

This examination was conducted using the guidelines set forth in the Financial Condition Examiners Handbook of the NAIC, except where practices, procedures and applicable regulations of the Missouri Department of Insurance and statutes of the state of Missouri prevailed.

The workpapers of the Company's independent auditors for 2003 were made available to the examiners. Standard examination procedures were modified as deemed appropriate under the circumstances.

Comments – Previous Examination

The previous examination report did not contain any general comments and/or recommendations.

HISTORY

General

The Company originally incorporated on March 2, 1978, as Group Health Plan of Greater St. Louis, a not for profit health services corporation, and became operational in January 1982. The Company received its Federal Qualification and Missouri Certificate of Authority as a Health Maintenance Organization (HMO) on February 1, 1982.

On October 13, 1982, the Company merged with Midwest Health Plan, another St. Louis based federally qualified plan, and changed its name to Group/Mid West Health Plan. On January 10, 1984, the Company changed its name to Group Health Plan of Greater St. Louis. On May 22, 1985, the Company was issued a license to operate as a for profit corporation under the name New Group Health Plan, Inc. On November 1, 1985, New Group Health Plan, Inc. acquired the assets and liabilities of Group Health Plan of Greater St. Louis. The transfer price from the not for profit to the for profit organization was \$3,973,308 (the surplus).

On November 5, 1985, New Group Health Plan, Inc. registered the fictitious name, Group Health Plan, Inc.

On October 31, 1988, Group Health Plan, Inc. purchased the membership of Maxicare of Missouri, Inc., after that entity became financially impaired.

On January 30, 1990, Coventry Corporation, a wholly owned subsidiary of Coventry Health Care, Inc., purchased all the outstanding stock of the Company. At the time of the purchase, the Company's name officially became Group Health Plan, Inc. In June 2000, Coventry Corporation merged into Coventry Health Care, Inc. and the Company became a direct subsidiary of Coventry Health Care, Inc.

On November 12, 1992, the Company registered the fictitious name, Care Management Resources (CMR), a division of the Company that acts as a third party administrator. On June 24, 1994, CMR received its Certificate of Authority as a third party administrator from the Missouri Department of Insurance. CMR provides administrative services for self-insured employer groups.

Group Health Plan, Inc. merged with Principal Health Care of St. Louis, Inc. effective April 4, 1998, as part of the Coventry Health Care, Inc. acquisition of certain health plans of Principal Health Care, Inc.

Capital Stock

The Company is authorized to issue 10 shares of common capital stock with a par value of \$1.00 per share. As of December 31, 2003, 10 shares were issued and outstanding resulting in a balance in the common capital stock account of \$10.

Dividends

The Company has declared and paid dividends to the stockholders as follows:

	<u>Cash</u>	<u>Stock</u>
Through December 31, 2000	\$ 11,812,005	\$ -
2001	-	-
2002	-	-
2003	<u>35,000,000</u>	<u>-</u>
Total	<u>\$ 46,812,005</u>	<u>\$ -</u>

Management

The Articles of Incorporation state that the number of directors that constitute the whole Board of Directors shall not be less than three nor more than eleven as the Board shall from time to time determine. The Bylaws provide that the number of directors shall not be less than three nor more than fifteen.

The Board of Directors consists of six members duly elected at an annual meeting of the stockholder as authorized by the Company's Articles of Incorporation. The directors elected and serving as of December 31, 2003, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Thomas P. McDonough Great Falls, VA	Executive Vice President and Chief Operating Officer, Coventry Health Care, Inc.
Richard Sanchez, M.D. Chesterfield, MO	Vice President and Senior Medical Officer, Group Health Plan, Inc.
Charles R. Stark Chesterfield, MO	President and Chief Executive Officer, Group Health Plan, Inc.
John J. Stelben Brookeville, MD	Vice President, Coventry Health Care, Inc.
Allen F. Wise Potomac, MD	President and Chief Executive Officer, Coventry Health Care, Inc.
Dale B. Wolf Potomac, MD	Executive Vice President, Chief Financial Officer and Treasurer, Coventry Health Care, Inc.

The officers elected and serving as of December 31, 2003, were as follows:

<u>Name</u>	<u>Office</u>
Charles R. Stark	President and Chief Executive Officer
Claudia Bjerre	Vice President and Chief Operating Officer
Thomas P. McDonough	Executive Vice President
Dale B. Wolf	Executive Vice President and Assistant Treasurer
Barbara A. Witte	Vice President, Chief Financial Officer and Treasurer
Richard Sanchez, M.D.	Vice President and Senior Medical Officer
Shirley R. Smith	Secretary
John J. Stelben	Assistant Treasurer and Assistant Secretary

<u>Name</u>	<u>Office</u>
John J. Ruhlmann	Corporate Controller
Jonathon D. Weinberg	Assistant Secretary

Conflict of Interest

All directors and officers of the Company execute Conflict of Interest Disclosure Statements annually. A review of the statements for the years under examination disclosed no material conflicts.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws of the Company. Neither the Articles of Incorporation nor the Bylaws were amended during the period being examined.

The minutes of the meetings of the Stockholder and Board of Directors were also reviewed for the period under examination.

It was noted that Richard Sanchez M.D. was listed as a member of the Board attending the May 3, 2002 meeting of the Board of Directors. The minutes of the Board of Directors on September 4, 2002 and June 30, 2003, note that Richard Sanchez M.D. was present at the meeting but not as a member of the Board. The written consent of the sole shareholder on June 25, 2003, elected Richard Sanchez M.D. to the Board of Directors.

The 2001 annual statement listed Charles R. Stark as a member of the Board of Directors. The Unanimous Written Consent of the Sole Shareholder dated June 28, 2002, documents the election of Charles R. Stark to the Board of Directors. None of the minutes prior to June 28, 2002, document the election of Charles R. Stark to the Board of Directors.

It is recommended that the minutes of meetings of the Shareholder and Board of Directors clearly document the election and appointment of directors, officers and all committees of the Board of Directors.

The minutes do not document that the Board of Directors reviewed the Report of Financial Examination of Group Health Plan, Inc. as of December 31, 2000, issued by the Missouri Department of Insurance. It is recommended that the Board of Directors review all Reports of Financial Examination issued by the Missouri Department of Insurance and document the review in the minutes.

Acquisitions, Mergers, and Major Corporate Events

Health Partners of the Midwest

Effective January 1, 2001, the Company acquired the commercial membership of Health Partners of the Midwest for \$4,863,460. The purchase price consisted of \$3,237,832 paid in cash, the establishment of a \$1,300,000 premium deficiency reserve and \$325,628 in other acquisition costs.

Health Partners was a St. Louis based not-for-profit health plan affiliated with BJC Health System and Washington University School of Medicine. The purchase price was charged to goodwill and is being amortized straight-line over ten years.

Aetna, Inc.

In May 2001, Group Health Plan, Inc. reached an agreement with Aetna, Inc. for the Company to act as the replacement carrier for Aetna's St. Louis area commercial HMO customers. The Company paid Aetna, Inc. \$486,400 in cash and incurred related acquisition costs of \$27,026. The purchase price was charged to goodwill and is being amortized straight-line over ten years.

Wellpath Community Health Plans, Inc.

On December 17, 2003, Coventry Health Care, Inc. contributed the stock of Wellpath Community Health Plans, Inc. to the Company. Wellpath Community Health Plans, Inc. merged into the Company on December 18, 2003.

The assets of Wellpath Community Health Plans, Inc. consisted of cash and accrued interest of \$30,380, a \$65,000,000 note receivable and a Section 382 net operating loss of \$16,179,308. The assets recorded in the merger included cash and accrued interest of \$30,380 and a \$65 million unsecured note receivable from Coventry Health Care, Inc. maturing on December 31, 2005. The note bears interest at the prime rate (4% as of December 31, 2003) and was nonadmitted as of December 31, 2003.

Surplus Debentures

None.

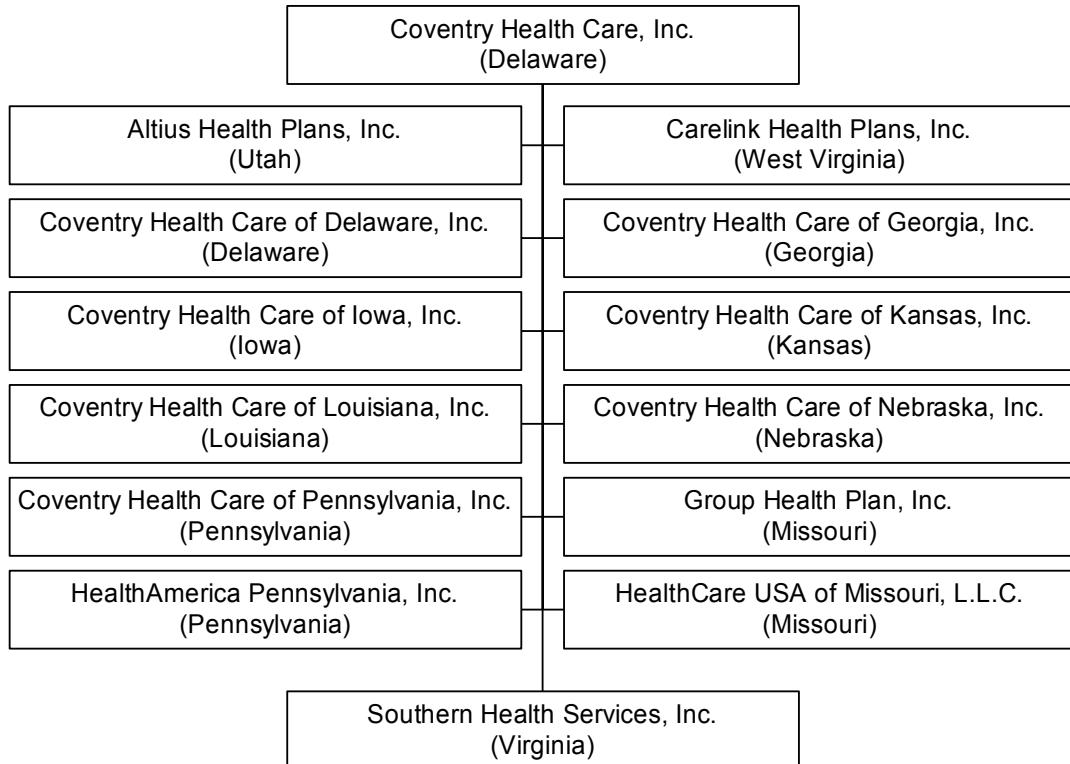
AFFILIATED COMPANIES

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010 RSMo (Definitions). The ultimate controlling entity is Coventry Health Care, Inc., a publicly traded managed health care company with 2.4 million members as of December 31, 2003, located in 14 markets primarily in the Mid-Atlantic, Midwest and Southeast United States. As of December 31, 2003, Coventry reported total assets of \$1.981 billion and stockholders' equity of \$929 million.

Organizational Chart

The following condensed organizational chart depicts the insurance holding company system as of December 31, 2003. The following chart only includes the ultimate parent and subsidiaries operating as health maintenance organizations (all subsidiaries are wholly owned). Other subsidiaries, including subsidiaries operating as preferred provider organizations, point of service plans, insurance companies and intermediary holding companies are not included. Complete organizational charts are available in the annual statement and annual registration statement.



Intercompany Transactions

Agreements (except reinsurance agreements) between the Company and affiliates are summarized  below.

1. Type: Administrative Services Agreement and Underwriting Agreement
Parties: Group Health Plan, Inc. and Coventry Health and Life Insurance Company
Effective: January 1, 1996
Terms: Group Health Plan, Inc. shall provide to Coventry Health and Life Insurance Company certain administrative services related to the indemnity rider for out-of-network POS claims. Services include claims payment, premium collection, premium allocation, general administrative services, sales and marketing, financial services, medical management, provider relations and contracting, and facilities and support.
Rate: Group Health Plan, Inc. shall receive an administrative fee of \$2.40 per member per month (PMPM) on POS membership.
2. Type: Guarantor Agreement
Parties: Group Health Plan, Inc. and Coventry Health Care, Inc.
Effective: October 20, 1999
Terms: Coventry Health Care, Inc. agrees, for a period of three years beginning on October 20, 1999, to provide additional capital contributions to Group Health Plan, Inc. in order to maintain at all times a statutory net worth at or above the greater of 2 percent of premiums or \$15 million. On October 20, 2002, the agreement was amended to provide that agreement would continue until mutually terminated.

In the event of Group Health Plan, Inc.'s inability to pay any amounts payable including any insolvency, Coventry Health Care, Inc. agrees to pay all expenses and claims incurred prior to such inability and all expenses and claims incurred subsequent to such inability.
3. Type: Insolvency and Guarantee Agreement
Parties: Group Health Plan, Inc. and Coventry Health Care, Inc.
Effective: August 1, 1999
Terms: In the event Group Health Plan, Inc. becomes insolvent, Coventry Health Care, Inc. shall make sufficient funds available for the aggregate of the following: benefits for members who are in acute care, benefits for any other member until the end of the period of time for which premium has been paid, and payments to providers for services rendered.

4. Type: Management Services Agreement – Medicare+Choice Amendment
Parties: Group Health Plan, Inc. and Coventry Health Care, Inc.
Effective: June 10, 1999
Terms: Coventry Health Care, Inc. is obligated to furnish certain management services to Advantra members who transitioned into a Medicare+Choice plan that mandates certain provisions. This agreement includes those mandated provisions, such as the right to inspect by the U.S. Department of Health and Human Services.

5. Type: Management Services Agreement
Parties: Group Health Plan, Inc. and Coventry Health Care, Inc.
Effective: January 1, 2003
Terms: Coventry Health Care, Inc. agrees to provide certain management services including but not limited to senior management services, advertising and public relations consulting, marketing, purchasing services, pharmacy services, corporate and legal services, regulatory compliance and governmental affairs and reporting, accounting services, tax compliance and consulting, facilities management, risk management, payroll services and human resources consulting.
Rate(s): Fees will be calculated by Coventry Health Care, Inc. at \$2.95 per member per month (PMPM) to be paid on or about the seventh business day of the month through the intercompany account.

6. Type: Management Services Agreement
Parties: Group Health Plan, Inc. and Coventry Management Services, Inc.
Effective: January 1, 2003
Terms: Coventry Management Services, Inc. agrees to provide information system services and service center services including, but not limited to, claims processing services, data integrity services, fraud and recovery support, premium billing and collection services, member services and benefit and contract administration.
Rate(s): Fees will be calculated by Coventry Management Services, Inc. at \$3.40 per member per month (PMPM) for information system services and \$3.50 per member per month (PMPM) for service center services to be paid on or about the seventh business day of the month through the intercompany account.

7. Type: Income Tax Allocation Agreement
Parties: Coventry Health Care, Inc. and subsidiaries, including Group Health Plan, Inc. and HealthCare U.S.A., Inc. and HealthCare of Missouri, LLC
Effective: For the tax year ending December 31, 1998, and for each tax year thereafter
Terms: The Federal or state income tax liability and alternative minimum tax liability (if applicable) will be calculated for each subsidiary as if it were to file a separate federal or state income tax return.

8. Type: Administrative Services and Underwriting Agreement
Parties: Group Health Plan, Inc. and Coventry Health and Life Insurance Company
Effective: February 11, 2002
Terms: Group Health Plan, Inc. shall provide to Coventry Health and Life Insurance Company certain administrative services as requested and to the extent needed for Coventry Health and Life Insurance Company to effectively operate its Preferred Provider Organization (PPO) product for employers who offer a PPO product in the states of Missouri or Illinois.
Rate(s): Group Health Plan, Inc. shall receive an administrative fee of \$8.25 per member per month (PMPM) on commercial PPO membership and \$15.10 per member per month (PMPM) on Medicare+Choice PPO membership. Group Health Plan, Inc. shall estimate the monthly fee and the monthly fee shall be settled within thirty days from the end of the month in which the charges were incurred via the Coventry Healthcare intercompany settlement process.

FIDELITY BOND AND OTHER INSURANCE

The Company is named insured under a Financial Institution Bond Form 25 purchased by Coventry Health Care, Inc. with a single loss limit of \$10 million and a deductible of \$250,000 per single loss. This coverage complies with the suggested minimum amount of fidelity insurance according to the NAIC guidelines.

The Company is also named insured under the following coverages purchased by Coventry Health Care, Inc.

- General Liability
- Automobile Liability
- Workers Compensation
- Property
- Professional Liability
- Fiduciary Liability
- Employment Practices Liability
- Directors' and Officers' Liability

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company offers its employees benefits typical in the industry including paid sick leave, paid holidays, paid vacation, medical, dental and vision plans, health care and dependent reimbursement accounts, short-term and long-term disability, life insurance and accidental death and dismemberment, 401(k) plan, stock purchase plan, and educational tuition assistance.

Provision for the obligations under the above plans are included in the financial statements.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri Department of Insurance as of December 31, 2003, as reflected below, were sufficient in par and market value to meet the trust deposit requirement for the state of Missouri in accordance with Section 354.410 RSMo (Issuance of certificate; trust deposits and capital requirements).

Security	Par Value	Market Value	Statement Value
US Treasury Note	\$ 480,000	\$ 496,200	\$ 471,008

Deposits with Other States

The Company also has funds on deposit with Illinois. Those funds on deposit as of December 31, 2003, were as follows:

State	Security	Par Value	Market Value	Statement Value
Illinois	US Treasury Note	\$ 315,000	\$ 317,067	\$ 316,813

INSURANCE PRODUCTS AND RELATED PRACTICES

General

Group Health Plan, Inc. is an individual practice association (IPA) model health plan licensed as a health maintenance organization (HMO) in Missouri under Chapter 354 RSMO (Health service corporations, health maintenance organizations and prepaid dental plans). The Company is also licensed in the state of Illinois.

As of December 31, 2003, the Company provided health care services to approximately 275,000 members including approximately 81,000 members served under administrative services only (ASO) contracts. Care Management Resources, a division of the Company, is licensed in Missouri as a Third Party Administrator and provides

administrative services to self-insured employer groups.

The Company's service area includes Greater St. Louis/Metro East, Central Missouri, and Central and Southern Illinois. Group Health Plan, Inc. actively markets services in 15 Missouri and 33 Illinois counties. In addition, the Company maintains a provider network in another 13 counties in Missouri although it is not actively marketing services in those counties.

Marketing

The Company's efforts are primarily focused on serving groups with the following products:

- Access (HMO) Members select a primary care physician (PCP) upon enrollment. The PCP will function as the member's health care advisor and advocate, referring the member to specialists when necessary and coordinating any required authorizations with the Company.
- Access Plus (POS) Members are offered two levels of benefits: in-network (HMO) and out-of-network (indemnity). Members select a PCP upon enrollment. If the member chooses to receive care from a non-participating physician, the Company will provide for covered benefits at the out-of-network level.
- Sensicare (HMO) While members are not required to select a PCP or to obtain a referral to see a participating specialist, services must be provided through one of the participating Sensicare providers.
- Sensicare Plus (POS) Members are offered two levels of benefits: in-network (HMO) and out-of-network (indemnity). Members are not required to select a PCP or to obtain a referral to see a participating specialist. If the member chooses to receive care from a non-participating physician, the Company will provide for covered benefits at the out-of-network level.
- Advantra and Gold Advantage (HMO) HMO plans for Medicare-eligible retirees. Members are required to select a PCP upon enrollment.

The Company provides administrative services for point of service (POS) out-of-network and preferred provider organization (PPO) coverage that is underwritten by Coventry Health and Life Insurance Company, an affiliate.

Policy Forms & Underwriting; Advertising & Sales Material and Treatment of Policyholders

The Missouri Department of Insurance has a Market Conduct staff that performs a review of these issues and generates a separate market conduct report. A Missouri Market Conduct Examination (Report Number 0029-06-HMO dated July 24, 2002) was conducted for the year 1999. The Missouri Market Conduct staff also conducted a "prompt pay" examination in 2003. The Market Conduct Report has not yet been finalized.

The Illinois Department of Insurance performed a Market Conduct Examination in 2003 covering claims for the year 2002 and complaints for the years 2001 and 2002.

As of December 31, 2003, the Company has accrued \$685,975 for penalties and \$250,000 for additional claims that may be payable as a result of the above examinations.

Grievance Procedures

In accordance with Section 354.445 RSMo (Complaint System), the Company has established and maintains a complaint system that provides reasonable procedures for the resolution of written complaints initiated by enrollees. The composition of the Grievance Committee complies with 20 CSR 400-7.110 (Health maintenance organizations – Resolution of enrollee grievances) that requires the panel to be comprised, at least in part, of enrollees.

Provider Contracts

The Company's current pro forma provider contracts were reviewed. Included in the review were the Global Capitation Agreement, Medical Group Participation Agreement, Nursing Home Ancillary Services Participation Agreement, Ancillary Service Participation Agreement, Individual Provider Agreement and Hospital Participation Agreement. Each of the agreements contained the member protection provisions required under 20 CSR 400-7.080 (Enrollee protection provisions). The agreements were filed with the Missouri Department of Insurance as required by 20 CSR 400-8.200 (Procedures for the filing of all policy forms and certain rates for life or health policies, contracts or related forms).

Quality Assurance, Utilization Review and Provider Credentialing

Group Health Plan, Inc. has been awarded full accreditation by URAC for compliance with its Health Plan Accreditation Program effective July 1, 2004 through July 1, 2007.

REINSURANCE

General

Premiums reported during the period under examination were as follows:

	<u>2001</u>	<u>2002</u>	<u>2003</u>
Direct	\$ 501,448,091	\$ 457,210,593	\$ 550,129,095
Assumed	-	-	-
Ceded	<u>6,212,785</u>	<u>7,185,514</u>	<u>8,977,670</u>
Net Premiums	<u>\$ 495,235,306</u>	<u>\$ 450,025,079</u>	<u>\$ 541,151,425</u>

Assumed

The Company did not assume any reinsurance during the period under examination.

Ceded

The Company reinsurance losses under an Excess Risk Reinsurance Agreement, effective April 1, 2001, with Coventry Health and Life Insurance Company, an affiliate. The maximum reinsurance coverage payable under the agreement for eligible charges as to any one member is \$1,000,000. Ninety percent of the eligible charges in excess of the deductible are reinsured for HMO and POS members and eighty percent for Medicare Risk members.

The reinsurance agreement has been renewed each year through March 31, 2005. For the year effective April 1, 2003, the deductible for HMO and POS members was \$200,000 and \$150,000 for Medicare Risk members.

ACCOUNTS AND RECORDS

The Company's financial statements for the two years ended December 31, 2003, were audited by Ernst & Young LLP, Certified Public Accountants. The Company's financial statements for the year ended December 31, 2001, were audited by Arthur Andersen LLP, Certified Public Accountants. Reserves and related actuarial items as of December 31, 2003, were reviewed and certified by Herbert B. Olson, M.A.A.A., Director of Actuarial Services.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2003, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the annual statement and/or comments regarding such are made in the "Notes to the Financial Statements," which follow the Financial Statements.

There may have been additional differences found in the course of this examination, which are not shown in the "Notes to the Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual annual statement item.

ASSETS

	Ledger Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	<u>\$ 137,110,324</u>	\$ -	\$ 137,110,324
Cash, cash equivalents and short-term investments	14,737,780	-	14,737,780
Investment income due and accrued	1,786,943	-	1,786,943
Uncollected premiums and agents' balances in course of collection	12,905,919	-	12,905,919
Amounts recoverable from reinsurers	84,904	-	84,904
Amounts relating to uninsured plans	1,035,815	6,114	1,029,701
Net deferred tax asset	33,274,764	29,981,459	3,293,305
Electronic data processing equipment and software	3,469	1,036	2,433
Furniture and equipment including health care delivery assets	773,156	773,156	-
Receivables from affiliates	65,333,528	65,000,000	333,528
Health care and other amounts due	67,147	-	67,147
Other assets nonadmitted	209,342	209,342	-
Aggregate write-ins for other assets	<u>3,781,010</u>	<u>3,781,010</u>	<u>-</u>
Total assets	<u><u>\$ 271,104,101</u></u>	<u><u>\$ 99,752,117</u></u>	<u><u>\$ 171,351,984</u></u>

LIABILITIES, CAPITAL AND SURPLUS

	Covered	Uncovered	Total
Claims unpaid	\$ 52,832,860	\$ 1,800,443	\$ 54,633,303
Accrued medical incentive pool and bonus amounts	204,205	-	204,205
Unpaid claims adjustment expenses	1,402,285	-	1,402,285
Premiums received in advance	15,003,540	-	15,003,540
General expenses due or accrued	14,223,629	-	14,223,629
Current federal and foreign income tax payable	629,316	-	629,316
Amounts withheld or retained for account of others	38,773	-	38,773
Amounts due to affiliates	197,113	-	197,113
Aggregate write-ins for other liability	<u>3,955,765</u>	<u>-</u>	<u>3,955,765</u>
Total liabilities	<u>\$ 88,487,486</u>	<u>\$ 1,800,443</u>	90,287,929
Common capital stock			10
Gross paid in and contributed surplus			56,979,006
Contingency reserve			10,823,029
Unassigned funds (surplus)			<u>13,262,010</u>
Total capital and surplus			<u>81,064,055</u>
Total liabilities, capital and surplus			<u>\$ 171,351,984</u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Member months		2,271,031
Net premiums income	\$ -	\$ 541,151,425
Hospital/medical benefits	10,189,856	344,721,190
Other professional services	3,041,870	20,414,228
Emergency room and out-of-area	1,264,632	12,689,878
Prescription drugs	-	55,535,647
Incentive pool, withhold adjustments & bonus amounts	- <hr/>	(705,715) <hr/>
Subtotal	14,496,358	432,655,228
Net reinsurance recoveries	- <hr/>	4,845,854 <hr/>
Total hospital and medical	14,496,358	427,809,374
Claims adjustment expenses	- <hr/>	15,857,203 <hr/>
General administrative expenses	- <hr/>	40,481,641 <hr/>
Total underwriting deductions	<u>\$ 14,496,358</u>	484,148,218
Net underwriting gain		57,003,207
Net investment income earned		6,244,777
Net realized capital gains		<u>361,886</u>
Net investment gains or (losses)		6,606,663
Net gain or (loss) from agents' balances charged off		<u>(331,044)</u>
Net income before federal income taxes		63,278,826
Federal and foreign income taxes incurred		<u>21,563,608</u>
Net income	<u>\$ 41,715,218</u>	

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting period	\$ 71,878,663
Net income	41,715,218
Net unrealized capital gains and losses	(27,030)
Change in net deferred income tax	28,203,548
Change in nonadmitted assets	(91,723,232)
Surplus paid in	65,030,380
Dividends to stockholder	(35,000,000)
Aggregate write-ins for gains in surplus	<u>986,508</u>
Net change in capital and surplus	<u>9,185,392</u>
Capital and surplus end of reporting period	<u>\$ 81,064,055</u>

NOTES TO FINANCIAL STATEMENTS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

Election and Appointment of Directors, Officers and Committees Page 6
It is recommended that the minutes of meetings of the Shareholder and Board of Directors clearly document the election and appointment of directors, officers and all committees of the Board of Directors.

Reports of Financial Examination Page 7
It is recommended that the Board of Directors review all Reports of Financial Examination issued by the Missouri Department of Insurance and document the review in the minutes.

SUBSEQUENT EVENTS

After receiving approval from the Missouri Department of Insurance, the Company paid dividends of \$40,000,000 (of which \$33,755,233 was considered extraordinary) to the sole shareholder on July 31, 2004.

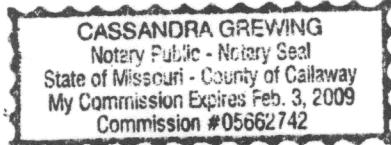
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Group Health Plan, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Robert P. Jordan, CFE, Daniel P. Callahan, CPA, CFE and Art Palmer, examiners for the Missouri Department of Insurance, participated in this examination. Timothy F. Harris, F.S.A., M.A.A.A., associated with Milliman, Inc., reviewed the reserves and related actuarial items.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Walter A. Riesenber, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of the Company, its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.



Walter A. Riesenber
Walter A. Riesenber, CFE
Examiner-in-Charge
Missouri Department of Insurance

Sworn to and subscribed before me this 10 day of March, 2005.
My commission expires:

2/3/2009

Cassandra Grewing
Notary Public

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.

J. Douglas Conley
J. Douglas Conley, CFE, FLMI, CIE, AIAF, ARe
Audit Manager, Audit Manager
Missouri Department of Insurance





April 6, 2005

Mr. Kirk Schmidt, CFE, CPA
Chief Financial Examiner
Missouri Department of Insurance
P.O. Box 690
Jefferson City, MO 65102-0690

Dear Mr. Schmidt:

Group Health Plan received your letter of March 16, 2005 and the accompanying draft Examination Report for the period ending December 31, 2003. Group Health Plan respectfully submits the attached response to the Examination Report. We ask that this response be included in the Examination Report as a public document.

Sincerely,

William M. Scheerer
Controller

RECEIVED
APR 08 2005
MO INS DEPT

111 Corporate Office Drive, Suite 400 • Earth City, Missouri 63045
314-506-1700 Toll Free: 1-800-743-3901 • Web Address: www.ghp.com



GROUP HEALTH PLAN, INC.
RESPONSE TO MISSOURI DOI REPORT OF FINANCIAL EXAMINATION

The Report of Financial Examination of Group Health Plan (the Company) as of December 31, 2003 states that the minutes of the Company's Board of Directors do not document any review of the Missouri Department of Insurance's previous Report of Financial Examination, dated December 31, 2000.

While the Company does not dispute the omission from the Board of Directors minutes, in February 2002 each member of the Company's Board of Directors certified under oath to the Missouri Department of Insurance, via a notarized statement, that he or she received a copy of the 2000 examination report.

It is the Company's intention to comply with the 2003 Examination Report recommendation to document Board of Directors' review of all future Examination Reports issued by the Missouri Department of Insurance.